

# CONSUMER ALERT

*Providing consumers with knowledge to make informed decisions*

**A Publication of the South Carolina Department of Consumer Affairs**

Philip S. Porter, Administrator/Consumer Advocate

## **Predatory Lending : Promising Dreams - Delivering Nightmares**

This year's National Consumer Protection theme is predatory lending. The South Carolina Department of Consumer Affairs and a coalition of consumer groups from across the state have designated **Predatory Lending : Promising Dreams - Delivering Nightmares**, as their slogan, and will celebrate throughout the month of February. The national theme was selected to highlight consumer protection and education efforts around the country. Due to the rise in national and state concerns over predatory lending, the theme is relevant to all consumers.

Predatory lending is the assertive practice of some lenders in the sub-prime market, to strip borrowers of substantial sums of money. Sub-prime lending is popular amongst those with past credit problems, who often cannot qualify for the conventional prime market.

Predatory lending comes in all shapes and sizes. Predatory lending practices may include: payday lending, title pawn lending, and mortgage lending. The deceptive marketing practices tend to include: lending without regard to a borrower's ability to repay the loan, incomplete loan disclosure, equity stripping, balloon

notes with interest only installments, excessive fees, expensive insurance, yield-spread premiums, high interest rates, loan 'flipping', and prepayment penalties. Outright fraud is the ultimate result.

Such unscrupulous practices victimize individuals and communities. Many victims feel such practices are non-intimidating, quick, confidential, safe, and easy. While they may be all of these, they can be extremely predatory, endangering consumers of all economic statuses.

State law makers are exerting some efforts in legislation to protect consumers, who often do not realize they are being victimized until it is too late. In a recent news article, South Carolina Senator Darrell Jackson said that legislation could be introduced in a matter of weeks. As well, Senator Jackson has requested that a special study committee look at predatory lending.

In the mean time, the South Carolina Department of Consumer Affairs encourages you to learn more about predatory lending so that you will not be the next victim.

Throughout the month of February, the South Carolina Department of Consumer Affairs and the coalition of consumers from across the state will host numerous special events for the general public to participate and learn more about predatory lending.

## **Calender of Events:**

**February 5** - Predatory Lending : Promising Dreams - Delivering Nightmares Kick-off; Essay and Bookmark Competition Begins

**February 13** - Predatory Lending Tele-conference; 10:00 a.m.-12:00p.m.: onsite at SCETV, channel 319

**March 9** - Essay and Bookmark Competition Deadline



## **CONSUMER CRUSADER SAYS:**

**"If you are using your home (principle residence) to guarantee repayment of a personal loan, you should know that a federal credit law gives you three days to reconsider a signed credit agreement and cancel the deal without penalty.**

**Your 'right to cancel' or 'right to rescind' is guaranteed by the Truth In Lending Act."**

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## Consumer Education

### Essay Competition

This year the Department of Consumer Affairs will observe National Consumer Protection Month, beginning February 5, 2001. This continues our effort to encourage schools, community organizations, businesses, the media and consumers to focus public awareness on consumer rights and responsibilities.

The Department is again sponsoring an essay competition for seventh graders. This year's theme is **"Predatory Lending : Promising Dreams - Delivering Nightmares."** The student's essay (500-700 words) should highlight what consumers should do to protect themselves from fraud and predatory (abusive) lending practices. Some questions may include:

- \* *What is predatory (abusive) lending?*
- \* *What are some warning signs of predatory (abusive) lending practices?*
- \* *What can consumers do to protect themselves from predatory (abusive) lending practices?*
- \* *What should be done to curb predatory (abusive) lending in South Carolina?*
- \* *What should a consumer do if he or she becomes a victim of predatory (abusive) lending?*

All entries must be postmarked no later than March 9, 2001.

\* *For official criteria please contact:*  
**Sherry King**  
 S.C. Dept of Consumer Affairs  
 3600 Forest Drive, P.O. Box 5757  
 Columbia, SC 29250  
 1-800-922-1594 or (803)734-4195  
 king@dca.state.sc.us

## Bookmark Competition

### 'CREATE A BOOKMARK'

In addition to the essay competition, the SCDCA is sponsoring a bookmark competition in conjunction with National Consumer Protection Month. This competition is an opportunity for fourth and fifth graders to take on a creative license of their own, displaying through words, phrases, drawings, and graphics what predatory lending means to them. The competition kicks off February 5<sup>th</sup>.

### Guidelines:

**Slogan: Predatory Lending : Promising Dreams - Delivering Nightmares**

**Ages: fourth and fifth graders**

**Size of bookmarks: 2 ½ by 8 ½ (no larger than)**

**Design: Bookmarks may be decorated with words, phrases, drawings, and graphics**

**Deadline: March 9, 2001**

## PRIZES



**Essay Competition - 10 winners** will be selected, each receiving a certificate and a **\$50.00 savings bond** at a special awards ceremony.

**Bookmark Competition** - A certificate and a **\$100 savings bond** will be presented to the winning student at a special awards ceremony. If the winning bookmark is a **group entry** - each student will receive a certificate and a **\$50 savings bond**.

\* *For official criteria please contact:*  
**Brandolyn Thomas Pinkston**  
 S.C. Dept. of Consumer Affairs  
 3600 Forest Drive, P.O. Box 5757  
 Columbia, SC 29250  
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# SCAMS

## Telemarketing Travel Fraud

Looking for a travel bargain? Bargains can be found, but consumers across the state need to understand that telemarketing travel fraud does exist.

Travel Opportunities sold via the telephone, internet, and mail are often legitimate. However, there are some travel scams that defraud consumers. According to the Federal Trade Commission, each month victims are conned out of millions of dollars. For example, when you call about a certain "dream vacation" it often sounds wonderful. What one must remember, however, is that on the other end of the phone is a professional salesperson. Tactics such as sales pitches generally tend to distort the communication between the seller and the buyer. Examples of sales pitches may include *oral misrepresentations, high pressure and time pressure tactics, "affordable" offers, and contradictory follow-up material.*

The sales pitches may be present, but there are ways to protect yourself. First and foremost, **check out the company before you buy a travel package.** You can call the SCDCA to see if any complaints have been filed against a particular travel firm or provider. Please note that the agency can only inform you as to whether or not a complaint has been filed. Secondly, **practical judgement** is a great tactic you can use to protect yourself. For example, when you see an advertisement that reads "great deals," think twice. This is because few legitimate businesses can afford to give away products and services of real value or substantially undercut other companies' prices. Also, don't fall for the famous pressure tactic. Just remember that legitimate businesses do not expect you to make snap decisions. Also, ask detailed questions and get all of the information in writing before you agree to buy a particular travel package. Most importantly, don't give your credit card number or bank information over the phone unless you have checked a particular travel firm or provider's status and feel a certain level of confidence in that company.

For a free brochure on Telemarketing Travel Fraud contact :

**The S.C. Dept. of Consumer Affairs**  
**3600 Forest Drive P.O. Box 5757**  
**Columbia, SC 29250**  
**(803)734-4200 or 1-800-922-1594**  
[www.state.sc.us/consumer](http://www.state.sc.us/consumer)

Source: Federal Trade Commission: "Telemarketing Travel Fraud"

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